

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name Peninsula Twp.	County Grand Traverse	Type Township	MuniCode
Opinion Date 7/15/08	Audit Submitted 9/15/08	Fiscal Year 3/31/08	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> 18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$781,246
General Fund Expenditure:	\$842,498
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$469,720
Governmental Activities Long-Term Debt (see instructions):	910,808,406

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) DAVID	Last Name BASLER	Ten Digit License Number 1101013418		
CPA Street Address 400 E. Eighth St.	City Traverse City	State MI	Zip Code 49686	Telephone 231 947-0151
CPA Firm Name Tobin & Co., PC	Unit's Street Address 400 E. Eighth	City Traverse City	Zip Code MI	

Tobin & Co.

Peninsula Township

Grand Traverse County, Michigan

Audit Report

For the Year Ended March 31, 2008

Tobin & Co.

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Peninsula Township, Grand Traverse County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Peninsula Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Your present Clerk, Treasurer and Deputies maintain receipts journals, disbursements journals, general ledgers and account books prescribed in the Uniform Accounting Procedures developed by the State Department of Treasury. These records were well maintained. In a separate management letter we have addressed accounting records matters which came to our attention and recommended steps to address these matters. Comments and recommendations regarding items other than the accounting records themselves are as follows:

Budgets and Procedures

The required budgets were prepared for the General Fund and Special Revenue Funds. It appears certain cost center budgets for these funds were not amended prior to authorization to expend over and above the original budget amounts. See Note 2 of the notes to the financial statements.

General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance increased by \$18,175 from the prior year and totaled \$469,720 at March 31, 2008.

Governmental Funds

Fire Fund

This fund, presented on Schedule 2, is used to account for the special voted tax levy for Township fire protection. Revenues consisted principally of property taxes of \$461,812 and earned interest of \$22,523. Expenditures were \$353,126. The fund balance at March 31, 2008 was \$559,178.

Purchase of Development Rights Fund

This fund, presented in Schedule 3, is used to account for a special voted tax levy for the purchase of development rights. Revenues consisted of property taxes of \$947,511, and earned interest of \$277,647. Expenses consisted principally of the purchase of development rights and debt service. In addition a transfer of \$375,654 was made to a debt service fund for the payment of installment contracts.

Non-major Governmental Funds

Non-major governmental funds balance sheets and revenue and expenditures statements are presented in Schedules 4 through 15.

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Comments and Recommendations

Proprietary/Enterprise Funds

The Tower, Sewer, and Water Funds are major funds, while the Compactor Station Fund is non-major. These funds are presented on pages 16, 17, and 18. Principally all revenues come from service users or lessees by way of fees, rents and special assessments. All funds had positive net assets at March 31, 2008.

Property Tax Collections

The collection and distribution of the 2007 tax levy was well handled by the Township Treasurer. Paid receipts were filed in order of payment. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements.

See Schedule 16 for a summary of the 2007 tax levy and collections.

Payroll Procedures

The Clerk maintains required payroll records. Payroll withholdings were promptly remitted to various agencies and required reports were properly prepared. It appears that Forms W-2 and/or 1099 were properly utilized.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, workmen's compensation, equipment and crime coverage. Records indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies, as well as the Supervisor, have surety bond coverage. There is also a blanket bond covering all employees.

Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Peninsula Township
Grand Traverse County
Traverse City, Michigan 49686

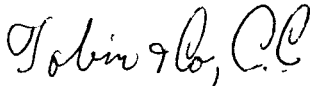
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peninsula Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Peninsula Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peninsula Township as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 8 through 11 and 39 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Peninsula Township's basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
July 15, 2008

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Peninsula Township Management Discussion and Analysis Letter

As the Township Board of the Peninsula Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Peninsula Township for the fiscal year ended March 31, 2008.

Financial Highlights

The assets of Peninsula Township exceeded its liabilities at the close of the most recent fiscal year by \$12,807,545. Of this amount, \$6,364,426 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$4,496,065, a decrease of \$2,473,388 in comparison with the prior year. Approximately ninety-six percent of the total amount, \$4,314,089, is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$469,720, or fifty-six percent of total general fund expenditures.

The Township's total long-term debt decreased by \$659,153, or five percent, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Peninsula Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include: general government, public safety, purchase of development rights, and recreation. The business-type activities of the Township include tower rental, sewer and water systems, and sanitation services.

The government-wide financial statements can be found on pages 12 and 13 of this report.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Peninsula Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Peninsula Township maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Purchase of Development Rights Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund, special revenue funds, and debt service funds. Budgetary comparison statements have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.

Proprietary funds: Peninsula Township maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its tower rental, water and sewer, and compactor station activities.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Peninsula Township, assets exceeded liabilities by \$12,807,545 at the close of the most recent fiscal year.

Forty-nine percent of the Township's net assets reflect its investment in capital assets such as development rights, land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Township's Net Assets					
	Governmental Activities	2007-2008 Business-Type Activities	Total	Governmental Activities	2006-2007 Business-Type Activities	Total
Current and Other Assets	\$ 4,557,028	\$ 2,085,580	\$ 6,642,608	\$ 7,033,137	\$ 2,398,012	\$ 9,431,149
Capital Assets	<u>14,495,587</u>	<u>5,096,830</u>	<u>19,592,417</u>	<u>11,620,765</u>	<u>5,016,730</u>	<u>16,637,495</u>
Total Assets	<u>\$ 19,052,615</u>	<u>\$ 7,182,410</u>	<u>\$ 26,235,025</u>	<u>\$ 18,653,902</u>	<u>\$ 7,414,742</u>	<u>\$ 26,068,644</u>
Long-term Liabilities	\$ 10,808,406	\$ 2,525,983	\$ 13,334,389	\$ 11,179,233	\$ 2,814,309	\$ 13,993,542
Other Liabilities	<u>60,963</u>	<u>32,128</u>	<u>93,091</u>	<u>63,655</u>	<u>47,314</u>	<u>110,969</u>
Total Liabilities	<u>\$ 10,869,369</u>	<u>\$ 2,558,111</u>	<u>\$ 13,427,480</u>	<u>\$ 11,242,888</u>	<u>\$ 2,861,623</u>	<u>\$ 14,104,511</u>
Net Assets:						
Invested in Capital Assets	\$ 3,687,181	\$ 2,573,962	\$ 6,261,143	\$ 441,532	\$ 2,230,371	\$ 2,671,903
Restricted	181,976	-	181,976	195,657	-	195,657
Unrestricted	<u>4,314,089</u>	<u>2,050,337</u>	<u>6,364,426</u>	<u>6,773,825</u>	<u>2,322,748</u>	<u>9,096,573</u>
Total Net Assets	<u>\$ 8,183,246</u>	<u>\$ 4,624,299</u>	<u>\$ 12,807,545</u>	<u>\$ 7,411,014</u>	<u>\$ 4,553,119</u>	<u>\$ 11,964,133</u>

An additional portion of the Township's net assets, approximately one percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$6,364,545 may be used to meet the Township's ongoing obligations to citizens and creditors.

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At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the Township's net assets by \$772,261, accounting for ninety-one percent of the total growth in the net assets of the Township.

	Governmental Activities	2007-2008 Business-Type Activities	Total	Governmental Activities	2006-2007 Business-Type Activities	Total
Program Revenues						
Charges for Services	\$ 37,510	\$ 489,544	\$ 527,054	\$ 34,468	\$ 702,862	\$ 737,330
Operating Grants and Contributions	11,209	-	11,209	11,245	-	11,245
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues						
Taxes	1,836,335	-	1,836,335	1,744,139	-	1,744,139
State Shared Revenues	358,931	-	358,931	359,237	-	359,237
Franchise Fees	75,493	-	75,493	72,137	-	72,137
Unrestricted Investments						
Earnings	361,705	37,412	399,117	340,876	43,951	384,827
Miscellaneous	<u>10,866</u>	<u>60,535</u>	<u>71,401</u>	<u>63,727</u>	<u>38,406</u>	<u>102,133</u>
Total Revenues	<u>2,692,049</u>	<u>587,491</u>	<u>3,279,540</u>	<u>2,625,829</u>	<u>785,219</u>	<u>3,411,048</u>
Program Expenses						
Legislative	75,963	-	75,963	58,107	-	58,107
General Government	643,017	28,730	671,747	647,894	61,910	709,804
Public Safety	651,919	-	651,919	612,745	-	612,745
Public Works	3,171	479,230	482,401	39	537,579	537,618
Recreation and Cultural	95,298	-	95,298	72,479	-	72,479
Interest on Long-term Debt	<u>450,420</u>	<u>-</u>	<u>450,420</u>	<u>436,383</u>	<u>-</u>	<u>436,383</u>
Total Expenses	<u>1,919,788</u>	<u>507,960</u>	<u>2,427,748</u>	<u>1,827,647</u>	<u>599,489</u>	<u>2,427,136</u>
Change in Net Assets	<u>\$ 772,261</u>	<u>\$ 79,531</u>	<u>\$ 851,792</u>	<u>\$ 798,182</u>	<u>\$ 185,730</u>	<u>\$ 983,912</u>

Business-type activities: Business-type activities increased the Township's net assets by \$79,531, accounting for nine percent of the total growth in the Township's net assets.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$4,496,065, a decrease of \$2,473,388 in comparison with the prior year.

Approximately ninety-six percent of the total amount, \$4,314,089, constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

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The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$469,720. Unreserved fund balance represents fifty-six percent of total general fund expenditures. The fund balance of the Township's general fund increased by \$18,175 during the current fiscal year. Key factors were as follows:

Details of the Township's General Fund are contained in the Statement of Revenues, Expenditures and Changes in Fund Balance on page 32.

Proprietary funds: The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$2,050,337. The total growth in net assets was \$79,531. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

Capital Asset and Debt Administration

Capital assets: The Township's investment in capital assets for its governmental and business type activities as of March 31, 2008, amounts to \$19,592,417 (net of accumulated depreciation). This investment in capital assets includes: (land, purchase of development rights, building and improvements, sewer and water systems, machinery and equipment, park facilities, etc). The total increase in the Township's investment in capital assets for the current fiscal year was eighteen percent.

Details of the Township's capital assets are contained in the notes to the financial statements on page 24.

Long-term debt: At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$13,334,389. This debt is backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 25 through 27.

Economic Factors and Next Year's Budgets

The Township has ongoing lawsuits dealing mostly with zoning issues that will have little or no effect on Township financials, other than legal costs. We anticipate no major changes in Township financials for the upcoming budget year.

Requests for Information

This financial report is designed to provide a general overview of Peninsula Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David K. Weatherholt, Peninsula Township Treasurer, 13235 Center Road, Traverse City, MI 49686.

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Peninsula Township Statement of Net Assets March 31, 2008

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 4,398,591	\$ 715,128	\$ 5,113,719
Accounts Receivable	21,228	65,189	86,417
Taxes Receivable – Current	60,767	-	60,767
Special Assessments Receivable	-	1,220,399	1,220,399
Due from State	56,568	-	56,568
Due from Other Activities	-	69,625	69,625
Prepaid Expenditures	19,874	12,124	31,998
Capital Assets:			
Land	13,127,725	5,689	13,133,414
Other Capital Assets, Net of Depreciation	1,367,862	5,091,141	6,459,003
Intangible Assets, Net of Amortization	-	3,115	3,115
Total Assets	<u>19,052,615</u>	<u>7,182,410</u>	<u>26,235,025</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	17,668	32,128	49,796
Due to Other Activities	43,295	-	43,295
Long-term Liabilities, Net of Discounts:			
Due Within One Year	403,150	295,530	698,680
Due in More Than One Year	<u>10,405,256</u>	<u>2,230,453</u>	<u>12,635,709</u>
Total Liabilities	<u>10,869,369</u>	<u>2,558,111</u>	<u>13,427,480</u>
<u>Net Assets</u>			
Invested in Capital Assets and Intangible Assets, Net of Related Debt	3,687,181	2,573,962	6,261,143
Restricted	181,976	-	181,976
Unrestricted	<u>4,314,089</u>	<u>2,050,337</u>	<u>6,364,426</u>
Total Net Assets	<u>\$ 8,183,246</u>	<u>\$ 4,624,299</u>	<u>\$12,807,545</u>

See Accompanying Notes to Basic Financial Statements

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Peninsula Township Statement of Activities March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Total
		Fees and Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Legislative	\$ 75,963	\$ -	\$ -	\$ (75,963)	\$ -	\$ (75,963)
General Government	643,017	37,510	-	(605,507)	-	(605,507)
Public Safety	651,919	-	-	(651,919)	-	(651,919)
Public Works	3,171	-	11,209	8,038	-	8,038
Recreation and Cultural	95,298	-	-	(95,298)	-	(95,298)
Interest on Long-term Debt	450,420	-	-	(450,420)	-	(450,420)
Total Governmental Activities	1,919,788	37,510	11,209	(1,871,069)	-	(1,871,069)
Business-type Activities:						
Tower Lease	28,730	73,792	-	-	45,062	45,062
Sewer and Water	435,772	364,722	-	-	(71,050)	(71,050)
Compactor Station	43,458	51,030	-	-	7,572	7,572
Total Business-type Activities	507,960	489,544	-	-	(18,416)	(18,416)
Total	\$ 2,427,748	\$ 527,054	\$ 11,209	(1,871,069)	(18,416)	(1,889,485)
General Revenues:						
Taxes				1,836,335	-	1,836,335
State Shared Revenues				358,931	-	358,931
Franchise Fees				75,493	-	75,493
Investment Earnings				361,705	37,412	399,117
Miscellaneous				10,866	60,535	71,401
Total General Revenues				2,643,330	97,947	2,741,277
Change in Net Assets				772,261	79,531	851,792
Net Assets – Beginning				7,410,985	4,544,768	11,955,753
Net Assets – Ending				\$ 8,183,246	\$ 4,624,299	\$12,807,545

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township Balance Sheet Governmental Funds March 31, 2008

	General	Fire	Purchase of Development Rights	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents	\$ 323,625	\$ 627,011	\$ 3,192,056	\$ 255,799	\$ 4,398,491
Petty Cash	100	-	-	-	100
Accounts Receivable	3,786	-	-	17,442	21,228
Taxes Receivable – Current	11,698	14,666	31,892	2,511	60,767
Due from State	56,568	-	-	-	56,568
Due from Other Funds	104,305	293	111,173	42,089	257,860
Prepaid Expenditures	<u>9,528</u>	<u>10,073</u>	<u>-</u>	<u>273</u>	<u>19,874</u>
Total	<u>\$ 509,610</u>	<u>\$ 652,043</u>	<u>\$ 3,335,121</u>	<u>\$ 318,114</u>	<u>4,814,888</u>
<u>Liabilities and Fund Equity</u>					
<u>Liabilities:</u>					
Accounts Payable	-	-	17,668	-	17,668
Due to Other Funds	<u>39,890</u>	<u>92,865</u>	<u>54,447</u>	<u>113,953</u>	<u>301,155</u>
Total	<u>39,890</u>	<u>92,865</u>	<u>72,115</u>	<u>113,953</u>	<u>318,823</u>
<u>Fund Equity:</u>					
Fund Balance – Reserved	-	126,962	55,014	-	181,976
Fund Balance – Unreserved	<u>469,720</u>	<u>432,216</u>	<u>3,207,992</u>	<u>204,161</u>	<u>4,314,089</u>
Total	<u>469,720</u>	<u>559,178</u>	<u>3,263,006</u>	<u>204,161</u>	<u>4,496,065</u>
Total Liabilities and Fund Equity	<u>\$ 509,610</u>	<u>\$ 652,043</u>	<u>\$ 3,335,121</u>	<u>\$ 318,114</u>	

Amounts reported for governmental activities on the statement of net assets are different because:

Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.

14,495,587

Long-term liabilities do not use current financial resources and therefore are not reported in the funds.

(10,808,406)

Net assets of governmental activities.

\$ 8,183,246

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2008

	General	Fire	Purchase of Development Rights	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 356,720	\$ 461,812	\$ 947,511	\$ 70,292	\$ 1,836,335
Licenses and Permits	19,097	-	-	-	19,097
State Grants	358,931	-	-	11,209	370,140
Charges for Services	933	-	-	17,480	18,413
Interest and Rents	41,996	22,523	277,647	19,539	361,705
Other	3,569	535	-	78,328	82,432
Total	<u>781,246</u>	<u>484,870</u>	<u>1,225,158</u>	<u>196,848</u>	<u>2,688,122</u>
<u>Expenditures</u>					
Legislative	75,963	-	-	-	75,963
General Government	341,365	-	61,170	37,882	440,417
Public Safety	169,659	291,360	-	67,372	528,391
Public Works	-	-	-	3,171	3,171
Recreation and Culture	60,739	-	-	25,658	86,397
Other	189,814	-	-	-	189,814
Capital Outlay	4,958	61,766	2,953,313	-	3,020,037
Debt Service	-	-	435,520	385,727	821,247
Total	<u>842,498</u>	<u>353,126</u>	<u>3,450,003</u>	<u>519,810</u>	<u>5,165,437</u>
Excess Revenues (Expenditures)	<u>(61,252)</u>	<u>131,744</u>	<u>(2,224,845)</u>	<u>(322,962)</u>	<u>(2,477,315)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	80,927	-	-	380,154	461,081
Operating Transfers (Out)	<u>(1,500)</u>	<u>-</u>	<u>(375,654)</u>	<u>(80,000)</u>	<u>(457,154)</u>
Total	<u>79,427</u>	<u>-</u>	<u>(375,654)</u>	<u>300,154</u>	<u>3,927</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>18,175</u>	<u>131,744</u>	<u>(2,600,499)</u>	<u>(22,808)</u>	<u>(2,473,388)</u>
Fund Balance – Beginning of Year	<u>451,545</u>	<u>427,434</u>	<u>5,863,505</u>	<u>226,969</u>	
Fund Balance – End of Year	<u>\$ 469,720</u>	<u>\$ 559,178</u>	<u>\$ 3,263,006</u>	<u>\$ 204,161</u>	

Amounts reported for governmental activities on the statement of activities are different because:

Capital outlays are recorded as expenditures in the governmental funds, however, their costs are allocated through depreciation in the statement of activities. This is the amount by which capital outlays exceeded depreciation during the audit year.

2,874,822

Repayment of long-term debt is an expenditure in the governmental funds, however reduces liabilities in the statement of net assets and does not affect the statement of activities.

370,827

Change in net assets of governmental activities.

\$ 772,261

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township
Statement of Net Assets
Proprietary Funds -- All Enterprise Funds
March 31, 2008

	Major Funds			Compactor Station Fund	Total
	Tower Fund	Sewer Fund	Water Fund		
<u>Assets</u>					
Cash in Bank	\$ 99,385	\$ 260,882	\$ 194,634	\$ 6,691	\$ 561,592
Petty Cash	-	-	-	75	75
Cash with Fiscal Agent	-	129,591	23,870	-	153,461
Accounts Receivable	-	59,456	5,733	-	65,189
Prepaid Expenses	-	-	11,634	490	12,124
Special Assessments Receivable	-	635,839	584,560	-	1,220,399
Due from Other Activities	-	82,752	224,117	-	306,869
Capital Assets:					
Land	-	-	-	5,689	5,689
Other Capital Assets, Net of Depreciation	158,811	2,707,083	2,216,142	9,105	5,091,141
Intangible Asset, Net of Amortization	-	2,919	196	-	3,115
Total Assets	<u>258,196</u>	<u>3,878,522</u>	<u>3,260,886</u>	<u>22,050</u>	<u>7,419,654</u>
<u>Liabilities and Net Assets</u>					
Liabilities:					
Accounts Payable	-	240	-	-	240
Due to Other Activities	-	137,927	99,317	-	237,244
Accrued Interest	-	14,632	17,256	-	31,888
Long-term Liabilities, Net of Discounts:					
Due Within One Year	-	213,346	82,184	-	295,530
Due in More Than One Year	-	1,058,481	1,171,972	-	2,230,453
Total Liabilities	-	<u>1,424,626</u>	<u>1,370,729</u>	-	<u>2,795,355</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	158,811	1,438,175	962,182	14,794	2,573,962
Unrestricted	<u>99,385</u>	<u>1,015,721</u>	<u>927,975</u>	<u>7,256</u>	<u>2,050,337</u>
Total Net Assets	<u>\$ 258,196</u>	<u>\$ 2,453,896</u>	<u>\$ 1,890,157</u>	<u>\$ 22,050</u>	<u>\$ 4,624,299</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds – All Enterprise Funds
For the Year Ended March 31, 2008

	<u>Major Funds</u>			Compactor Station Fund	<u>Total</u>
	<u>Tower Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>		
<u>Operating Revenues</u>					
Charges for Services:					
Fees	\$ -	\$ 138,495	\$ 226,227	\$ 51,030	\$ 415,752
Interest and Rents:					
Rent	73,792	-	-	-	73,792
Other:					
Special Assessments	-	29,975	30,560	-	60,535
Total	<u>73,792</u>	<u>168,470</u>	<u>256,787</u>	<u>51,030</u>	<u>550,079</u>
<u>Operating Expenses</u>					
Wages and Per Diem	-	-	-	10,353	10,353
Payroll Taxes	-	-	-	792	792
Supplies	-	-	-	635	635
Contractual Services	15,434	85,674	125,571	24,713	251,392
Communications	-	-	-	322	322
Insurance	-	-	-	2,821	2,821
Utilities	-	-	-	588	588
Maintenance and Repairs	-	-	-	2,838	2,838
Amortization	-	1,426	777	-	2,203
Depreciation	10,296	71,104	47,318	396	129,114
Other	-	28	28	-	56
Debt Service Interest and Fees	-	58,143	45,703	-	103,846
Total	<u>25,730</u>	<u>216,375</u>	<u>219,397</u>	<u>43,458</u>	<u>504,960</u>
Operating Income (Loss)	<u>48,062</u>	<u>(47,905)</u>	<u>37,390</u>	<u>7,572</u>	<u>45,119</u>
<u>Other Income (Expenses)</u>					
Interest Income	3,324	19,428	12,225	2,435	37,412
Operating Transfers In (Out)	(3,000)	(10,500)	10,500	-	(3,000)
Total	<u>324</u>	<u>8,928</u>	<u>22,725</u>	<u>2,435</u>	<u>34,412</u>
Change in net Assets	48,386	(38,977)	60,115	10,007	79,531
<u>Net Assets – Beginning of Year</u>	218,161	2,492,873	1,830,042	12,043	4,553,119
<u>Prior Period Adjustment</u>	(8,351)	-	-	-	(8,351)
<u>Net Assets – End of Year</u>	<u>\$ 258,196</u>	<u>\$ 2,453,896</u>	<u>\$ 1,890,157</u>	<u>\$ 22,050</u>	<u>\$ 4,624,299</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township Statement of Cash Flows Proprietary Funds – All Enterprise Funds For the Year Ended March 31, 2008

	Major Funds			Compactor Station Fund	Total
	Tower Fund	Sewer Fund	Water Fund		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 73,792	\$ 181,113	\$ 225,613	\$ 51,030	\$ 531,548
Interest on Special Assessments	-	26,133	26,936	-	53,069
Cash Payments to Employees and Suppliers	(15,434)	(85,696)	(125,770)	(41,867)	(268,767)
Operating Transfers	(3,000)	(10,500)	10,500	-	(3,000)
Interest Paid	-	(58,537)	(46,221)	-	(104,758)
Net Cash Provided by Operating Activities	<u>55,358</u>	<u>52,513</u>	<u>91,058</u>	<u>9,163</u>	<u>208,092</u>
Cash Flows from Investing Activities:					
Investment Earnings	3,324	19,428	12,225	2,435	37,412
Purchase of Capital Assets	-	-	(199,713)	(9,500)	(209,213)
Net Cash Provided (Used) by Investing Activities	<u>3,324</u>	<u>19,428</u>	<u>(187,488)</u>	<u>(7,065)</u>	<u>(171,801)</u>
Cash Flows from Financing Activities:					
Collection of Special Assessments	-	77,075	65,396	-	142,471
Principal Payments on Debt	(18,521)	(191,071)	(78,734)	-	(288,326)
Advances from (to) other activities	-	20,506	(6,789)	-	13,717
Net Cash (Used) by Financing Activities	<u>(18,521)</u>	<u>(93,490)</u>	<u>(20,127)</u>	<u>-</u>	<u>(132,138)</u>
Net Increase (Decrease) in Cash	40,161	(21,549)	(116,557)	2,098	(95,847)
Cash – Beginning of Year	<u>59,224</u>	<u>412,022</u>	<u>335,061</u>	<u>4,668</u>	<u>810,975</u>
Cash – End of Year	<u>\$ 99,385</u>	<u>\$ 390,473</u>	<u>\$ 218,504</u>	<u>\$ 6,766</u>	<u>\$ 715,128</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ 45,062	\$ (58,405)	\$ 47,890	\$ 7,572	\$ 42,119
Depreciation and Amortization	10,296	72,530	48,095	396	131,317
(Increase) Decrease in Receivables	-	38,776	(4,238)	-	34,538
(Increase) Decrease in Prepaids	-	-	(171)	1,195	1,024
Increase (Decrease) in Accounts Payable	-	6	-	-	6
Increase (Decrease) in Accrued Interest	-	(394)	(518)	-	(912)
Total	<u>\$ 55,358</u>	<u>\$ 52,513</u>	<u>\$ 91,058</u>	<u>\$ 9,163</u>	<u>\$ 208,092</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township Statement of Fiduciary Net Assets March 31, 2008

Assets

Cash and Investments	\$ 561,684
Total Assets	<u>561,684</u>

Liabilities

Undistributed Taxes and Interest	86,756
Due to Other Funds	19,207
Due to Library	442,185
Escrow Deposits	<u>13,536</u>
Total Liabilities	<u>561,684</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Peninsula Township is a general law township located in Grand Traverse County, Michigan. Population as of the 2000 census was 5,265, and the current taxable valuation of the year of audit was \$523,609,684.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

Sewer and Water System Operations – The Grand Traverse County Board of Public Works operates, maintains and administers the Township's sewage disposal and water systems. The original construction and subsequent extensions were administered by the County and financed in part through bonds backed by the full faith and credit pledges of the Township.

The County DPW collects all user fees which are remitted to the Township, accounts for direct and allocated operating expenses which are billed to and paid by the Township, remits debt payments and maintains capital project and debt service funds. The Township's administration reviews DPW operations on behalf of the Township, establishes special assessment districts, approves of construction expenditures, collects special assessment levies, which are remitted to the County for debt retirement, and maintains the special assessment rolls.

The arrangements between the County and Township were established to enable more favorable interest rates and borrowing limits and to achieve overall efficiency in operating these public services to the community. The County is acting as an agent for the Township and the Township retains significant control and responsibility over operations of the sewer and water systems.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Fire Fund is the only major special revenue fund and is for the purpose of providing fire protection for Township residents and their assets.

Tobin & Co.

Peninsula Township
Notes to Financial Statements
March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Debt Service Funds – These funds are used to account for special assessments and other resources to be used for the payment of interest and principal on long-term debt.

Proprietary Funds – These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the statement of net assets.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer and Water Systems	50 - years
Land Improvements	20 - years
Buildings	40 - years
Building Improvements	25 - years
Towers	25 - years
Vehicles	10 - years
Office Furniture	10 - years
Equipment	5 - years

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

G. Prepaid Items

Prepaid balances are for payments made by the Township in the current year to provide services occurring in subsequent fiscal years.

H. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating, Police and			
Purchase of Development Rights	\$796,031,650	\$523,609,684	2.6898
Fire Protection	\$790,637,050	\$518,215,084	0.9000

I. Special Assessment Revenue

Special Assessment Revenue is recognized in the year of levy. The Township has elected to recognize advance payments of special assessments as revenue upon receipt rather than allocating a portion of such payments to each year's levy.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds, except the Capital Improvement Fund, had positive fund balances at March 31, 2008. The Capital Improvement Fund deficit was subsequently eliminated by a transfer from the General Fund.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2008, the following activities overexpended their budget without formal Board amendment.

General Fund:	
Township Board	\$ 1,683
Operating Transfers Out	\$ 1,500
Dougherty House Fund	\$ 12,913

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) In repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) In obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

B. Types of Deposits and Investments

The Township had \$5,563,769 deposited with local financial institutions at March 31, 2008 with a carrying value of \$5,521,767. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$5,363,769 of uninsured deposits at March 31, 2008. In addition, the Township had \$153,461 on deposit through Grand Traverse County. The insured status of these deposits is unknown.

NOTE 4 - RECEIVABLES

\$56,568 of accounts receivable of governmental activities represent State shared revenues for the audit year received in May 2008. \$17,442 of accounts receivable of governmental activities represent cablevision franchise royalties received within 60 days. \$65,189 of accounts receivable of business-type activities represents billed but uncollected sewer and water usage fees as of March 31, 2008. \$1,090,776 of business-type activities special assessments receivables are not due within one year.

NOTE 5 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/08</u>
Governmental Activities:				
Land and Development Rights	\$ 10,174,412	\$ 2,953,313	\$ -	\$13,127,725
Buildings and Improvements	353,594	-	-	353,594
Vehicles, Furniture and Equipment	<u>1,554,731</u>	<u>61,334</u>	-	<u>1,616,065</u>
Total	12,082,737	3,014,647	-	15,097,384
Less Accumulated Depreciation	<u>(461,972)</u>	<u>(139,825)</u>	-	<u>(601,797)</u>
Capital Assets, Net	<u>\$ 11,620,765</u>	<u>\$ 2,874,822</u>	<u>\$ -</u>	<u>\$14,495,587</u>
Business-type Activities:				
Land and Improvements	\$ 12,219	\$ -	\$ -	\$ 12,219
Tower	262,720	-	-	262,720
Equipment	36,800	9,500	-	46,300
Sewer and Water Projects	<u>5,907,957</u>	<u>199,713</u>	-	<u>6,107,670</u>
Total	6,219,696	209,213	-	6,428,909
Less Accumulated Depreciation	<u>(1,202,966)</u>	<u>(129,113)</u>	-	<u>(1,332,079)</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,016,730</u>	<u>\$ 80,100</u>	<u>\$ -</u>	<u>\$ 5,096,830</u>
Intangible Assets:				
Bond Origination Costs	\$ 41,917	\$ -	\$ -	\$ 41,917
Less Accumulated Amortization	<u>(36,599)</u>	<u>(2,203)</u>	-	<u>(38,802)</u>
Intangible Assets, Net	<u>\$ 5,318</u>	<u>\$ (2,203)</u>	<u>\$ -</u>	<u>\$ 3,115</u>

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 104,305	General Fund	\$ 39,890
Special Revenue Fund	126,234	Special Revenue Fund	225,897
Enterprise Fund	306,869	Enterprise Fund	237,244
Trust and Agency Fund	-	Trust and Agency Fund	26,330
Capital Project Fund	27,321	Capital Project Fund	35,368
Total	<u>\$ 564,729</u>	Total	<u>\$ 564,729</u>

During the audit year the Cable Council Fund transferred \$80,000 to the General Fund. The General Fund transferred \$1,500 to the Dougherty House Fund. The Purchase of Development Rights Fund transferred \$375,654 to the Debt Service Fund to pay installment contracts. The Tower Fund transferred \$3,000 to the Cemetery Fund. The Sewer Fund transferred \$10,500 to the Water Fund.

NOTE 7 - LONG-TERM DEBT

- A. Listed below are descriptions of the bond issues included in the Township business-type activities. The following schedule includes the bonds issued by the County on behalf of the Township to finance construction and extension of sewer and water systems to be retired through special assessments and usage and connections fees. Also listed below are bond issues and installment notes issued by the Township for purchase of development rights, a communications tower, and a vehicle.

Grand Traverse County Sewage Disposal System (Peninsula Township), 1990 Bond Issue dated 8/28/90, original issue amount \$2,157,336, interest rate 1.00%, interest due dates 4/1 and 10/1, principal due date 10/1.

Water Supply (Peninsula Township) 1990 Series Bond Issue dated 8/28/90, original issue amount of \$495,000, interest rates 6.25% - 8.25%, interest due dates 4/1 and 10/1, principal due date 10/1.

Sewage disposal system (Peninsula Township) 1991 Series Bond issue dated 5/1/91, original issue amount \$220,000. Interest rates 5.50% - 7.50%, interest due dates 4/1 and 10/1, principal due date 10/1.

Estimated portion of County Wastewater Treatment Plant 1995 Series Bond issue dated 4/1/95.

Portion of County Wastewater Treatment Plant Upgrade 2002 Series Bond issue dated 7/1/02.

Sewer and Water Projects (Acme, East Bay, and Peninsula Townships), 2003 Series Bond issue, dated 8/1/03, original issue amount \$1,129,290. Interest rates 2.25% - 5.00%, interest due dates 5/1 and 11/1, principal due date 11/1.

Sewer and Water Projects (Garfield and Peninsula Townships), 2004 Series Bond issue, dated 11/1/04, original issue amount \$1,008,000, interest rates 2.00% - 4.375%, interest due dates 5/1 and 11/1, principal due date 11/1.

Estimated contract payable to NPI, \$9,489 per year including interest at prime plus 2%.

Bonds payable for purchase of development rights, 2004 Series Bond issue dated 12/7/04, original issue amount \$5,000,000, interest rates 2.50% - 4.35%, interest due dates 5/1 and 11/1, principal due date 11/1.

Installment contracts payable for purchase of development rights, various origination dates, original amounts \$3,047,731, interest rates 5.375% - 5.700%, interest and principal due date 7/1.

Bonds payable for purchase of development rights, 2005 Series Bond issue dated 12/19/05, original issue amount \$4,965,000, interest rates 3.75% - 4.05%, interest due dates 5/1 and 11/1, principal due date 11/1.

Installment contract payable to purchase a vehicle, original amount \$20,232, payable \$1,439 quarterly including interest at 7.15%, collateralized by a vehicle.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 7 - LONG-TERM DEBT (Continued)

B. Changes in long-term debt are scheduled below:

Business Type Activities

	Balance 4/01/07	Additions	Retirements	Balance 3/31/08
Bonds Payable:				
Grand Traverse County Sewage Disposal System (Peninsula Twp) 1990 Bonds	\$ 455,000	\$ -	\$ 130,000	\$ 325,000
Water Supply (Peninsula Twp) Bonds Series 1990	70,000	-	35,000	35,000
Sewage Disposal System (Peninsula Twp) Bond Series 1991	55,000	-	15,000	40,000
County Wastewater Treatment Plant Bond Series 1995 (Peninsula Twp. estimated portion)	34,627	-	3,314	31,313
County Wastewater Treatment Plant Bond Series 2002 (Peninsula Twp. estimated portion)	233,636	-	10,458	223,178
Sewer and Water Projects Bond Series 2003 (Peninsula Twp. portion)	999,534	-	46,042	953,492
Sewer and Water Projects Bond Series 2004 (Peninsula Twp. portion)	948,000	-	30,000	918,000
NPI Contract Payable	18,521	-	18,521	-
	<u>\$ 2,814,318</u>	<u>\$ -</u>	<u>\$ 288,335</u>	<u>\$ 2,525,983</u>

Governmental Activities

	Balance 4/01/07	Additions	Retirements	Balance 3/31/08
Long-term Debt:				
Purchase of Development Rights Bond Series 2004	\$ 4,925,000	\$ -	\$ 45,000	\$ 4,880,000
Purchase of Development Rights Installment Contracts	1,270,440	-	321,293	949,147
Purchase of Development Rights Bond Series 2005	4,965,000	-	-	4,965,000
Purchase of Vehicle	18,793	-	4,534	14,259
	<u>\$ 11,179,233</u>	<u>\$ -</u>	<u>\$ 370,827</u>	<u>\$ 10,808,406</u>

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 7 - LONG-TERM DEBT (Continued)

C. Debt service requirements to maturity:

<u>Years Ending</u> <u>March 31,</u>	<u>Enterprise Fund</u> <u>Sewage Disposal and</u> <u>Water System Bonds</u>		<u>Governmental Activities</u> <u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 294,305	\$ 98,612	\$ 403,150	\$ 437,393
2010	260,059	89,295	466,403	417,489
2011	165,254	81,944	473,965	395,105
2012	111,058	76,843	517,309	377,730
2013	111,878	72,667	564,926	358,113
2014	117,261	68,315	617,653	336,037
2015	117,876	63,735	605,000	311,545
2016	123,464	59,087	665,000	287,720
2017	118,568	54,152	720,000	261,932
2018	138,369	49,140	785,000	234,583
2019	139,189	43,269	850,000	204,183
2020	144,195	37,253	920,000	170,638
2021	145,015	30,825	995,000	133,657
2022	150,021	24,269	1,070,000	92,683
2023	158,023	17,415	1,155,000	48,351
2024	153,690	10,478	-	-
2025	75,000	3,281	-	-
2026	2,758	-	-	-
	<u>\$ 2,525,983</u>	<u>\$ 880,580</u>	<u>\$10,808,406</u>	<u>\$ 4,067,159</u>

NOTE 8 - RESERVED FUND BALANCE

Reserved fund balance of \$181,976 in the Governmental Funds represents \$126,962 for fire equipment, \$55,014 for purchase of development rights legal expenses. Since these assets are not available for appropriation and expenditures at the balance sheet date, they are segregated in the financial statements presentation.

NOTE 9 - RETIREMENT PLAN

The Township participates in a defined contribution pension plan for Michigan Township employees under contract with the John Hancock Life Insurance Company. Listed below is a summary of the significant plan provisions adopted by Board resolutions.

A. Eligibility Requirements

1. Attained age of 18.
2. All elected officials and full-time non-seasonal employees.

B. Contributions

1. 13% of annual compensation funded entirely by the Township on an annual basis.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 100% of required annual contribution.
4. Eligible employees may make voluntary contributions through payroll withholdings in amounts ranging from one to ten percent of compensation.

C. Vesting

1. Contributions are vested to the employee after 20 months of service at 100%.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 9 - RETIREMENT PLAN (Continued)

D. Plan Administration

1. The plan is administered by the Township Clerk.

During the audit year, the total contribution for the plan year was \$55,864. Covered payroll for the year was \$429,724 with total payroll for all employees of \$575,223. The plan was funded at the required contribution amount.

NOTE 10- INVENTORIES

Peninsula Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expense at the time of purchase.

NOTE 11- COMPENSATED ABSENCES

The Township's policy is to grant employees 5 leave days per year and employees are not allowed to carryover days to the next year. Consequently, there is no liability for accumulated unpaid leave.

Employees earn vacation leave benefits on their anniversary date, the amount of which is dependent on their length of employment. Benefits must be used within one year and cannot be carried over. Accordingly, all accrued vacation is recorded as a current liability in the applicable funds.

NOTE 12- CONTINGENT LIABILITIES

Township management is aware of no contingent liabilities on the part of the Township.

NOTE 13- JOINT VENTURE

Peninsula Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2010 and supplemented July 1, 1993, August 13, 1998, and March 31, 2003 with the City of Traverse City, the Townships of Garfield, East Bay, and Acme in Grand Traverse County, the Township of Elmwood in Leelanau County and with Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the Wastewater Treatment Plant. Grand Traverse County is the owner of the Treatment Plant and the City of Traverse City is the owner of all the multi-user facilities. Ownership of the Treatment Plant will revert to the City of Traverse City when certain bonds issued by the Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the Townships as to the Treatment Plant's operations and the Townships shall have the right to comment on all matters connected with the administration of the plant. Prior to June 30, the City of Traverse City shall submit a proposed budget for the operations of the Treatment Plant for the year commencing July 1. The Townships have thirty days in which to comment on the proposed budget.

Tobin & Co.

Peninsula Township Notes to Financial Statements March 31, 2008

NOTE 13- JOINT VENTURE (Continued)

Each of the parties of the agreement is entitled to make use of a portion of the Treatment Plant's capacity as follows:

<u>Party</u>	<u>Capacity Right</u>
City of Traverse City	62.45%
Garfield Township	14.37
East Bay Township	11.24
Elmwood Township	4.70
Acme Township	4.37
Peninsula Township	<u>2.87</u>
	<u>100%</u>

Each participant in the joint venture pays an amount sufficient to cover their pro rata share of the treatment plant costs. Each participant's pro rata share is determined by their volume of sewage treated in relation to total sewage treated at the plant.

The Township is also liable for a portion of the Treatment Plant's debt. A portion of the liability is fixed and a portion is determined on a biannual basis based upon the amount of the Township's flows through the Treatment Plant. The estimate of Peninsula Township's portion of Treatment Plant debt is included in long-term debt.

NOTE 14- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 15- PRIOR PERIOD ADJUSTMENT

Prior period adjustment in the Tower Fund is the correction of an error in recording deferred rental income.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Peninsula Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended March 31, 2008

Schedule 1
Page 1

Revenues	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 349,800	\$ 349,800	\$ 337,163	\$ (12,637)
Delinquent Taxes	-	-	13,368	13,368
Penalties and Interest on Taxes	6,000	6,000	6,189	189
Licenses and Permits:				
Permits and Fees	15,000	15,000	19,097	4,097
State Grants:				
State Shared Revenues	371,000	371,000	358,931	(12,069)
Charges for Services:				
Printed Materials	1,000	1,000	674	(326)
Other	-	-	259	259
Interest and Rents:				
Interest	35,000	35,000	41,996	6,996
Other:				
Miscellaneous	-	-	3,569	3,569
Total Revenues	<u>777,800</u>	<u>777,800</u>	<u>781,246</u>	<u>3,446</u>
<u>Expenditures</u>				
Legislative:				
Township Board	<u>49,280</u>	<u>74,280</u>	<u>75,963</u>	<u>(1,683)</u>
Total Legislative	<u>49,280</u>	<u>74,280</u>	<u>75,963</u>	<u>(1,683)</u>
General Government:				
Supervisor	40,425	40,425	40,219	206
Executive Activities	55,380	56,880	49,415	7,465
Elections	18,575	21,575	19,164	2,411
Assessing	75,712	72,712	71,276	1,436
Clerk	66,270	66,270	63,710	2,560
Board of Review	4,415	4,415	3,649	766
Treasurer	64,629	64,629	62,614	2,015
Buildings and Grounds	<u>14,525</u>	<u>31,525</u>	<u>31,318</u>	<u>207</u>
Total	<u>339,931</u>	<u>358,431</u>	<u>341,365</u>	<u>17,066</u>
Public Safety:				
Planner	58,681	58,681	58,277	404
Planning Commission	47,000	49,000	45,433	3,567
Zoning Board of Appeals	17,020	26,020	23,069	2,951
Zoning Administrator	<u>30,679</u>	<u>45,679</u>	<u>42,880</u>	<u>2,799</u>
Total	<u>153,380</u>	<u>179,380</u>	<u>169,659</u>	<u>9,721</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2008

Schedule 1
Page 2

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures (Continued)</u>				
Culture and Recreation:				
Parks	<u>64,271</u>	<u>62,171</u>	<u>60,739</u>	<u>1,432</u>
Total	<u>64,271</u>	<u>62,171</u>	<u>60,739</u>	<u>1,432</u>
Employee Benefits and Insurance	<u>193,481</u>	<u>193,481</u>	<u>189,814</u>	<u>3,667</u>
Capital Outlay	<u>31,600</u>	<u>6,600</u>	<u>4,958</u>	<u>1,642</u>
Total Expenditures	<u>831,943</u>	<u>874,343</u>	<u>842,498</u>	<u>31,845</u>
<u>Excess Revenues (Expenditures)</u>	<u>(54,143)</u>	<u>(96,543)</u>	<u>(61,252)</u>	<u>35,291</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	80,000	80,000	80,927	927
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>(1,500)</u>
Total	<u>80,000</u>	<u>80,000</u>	<u>79,427</u>	<u>(573)</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ 25,857</u>	<u>\$ (16,543)</u>	18,175	<u>\$ 34,718</u>
Fund Balance – Beginning of Year			<u>451,545</u>	
Fund Balance – End of Year			<u>\$ 469,720</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Fire Fund
For the Year Ended March 31, 2008

Schedule 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 466,674	\$ 466,674	\$ 447,146	\$ (19,528)
Delinquent Taxes	-	-	14,666	14,666
Interest and Rents:				
Interest	13,400	13,400	22,523	9,123
Other:				
Donations	-	-	30	30
Sale of Fixed Assets	5,000	5,000	-	(5,000)
Miscellaneous	<u>500</u>	<u>500</u>	<u>505</u>	<u>5</u>
Total	<u>485,574</u>	<u>485,574</u>	<u>484,870</u>	<u>(704)</u>
<u>Expenditures</u>				
Public Safety	-	-	228,837	-
Employee Benefits and Insurance	-	-	62,523	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>61,766</u>	<u>-</u>
Total	<u>639,207</u>	<u>639,207</u>	<u>353,126</u>	<u>286,081</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (153,633)</u>	<u>\$ (153,633)</u>	131,744	<u>\$ 285,377</u>
Fund Balance – Beginning of Year			<u>427,434</u>	
Fund Balance – End of Year			<u>\$ 559,178</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Purchase of Development Rights Fund
For the Year Ended March 31, 2008

Schedule 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 902,000	\$ 902,000	\$ 915,620	\$ 13,620
Delinquent Taxes	-	-	31,891	31,891
Interest and Rents:				
Interest	<u>75,000</u>	<u>75,000</u>	<u>277,647</u>	<u>202,647</u>
Total	<u>977,000</u>	<u>977,000</u>	<u>1,225,158</u>	<u>248,158</u>
<u>Expenditures</u>				
General Government	-	-	61,170	-
Capital Outlay	-	-	2,953,313	-
Debt Service	<u>-</u>	<u>-</u>	<u>435,520</u>	<u>-</u>
Total	<u>4,469,850</u>	<u>4,469,850</u>	<u>3,450,003</u>	<u>1,019,847</u>
<u>Excess Revenues (Expenditures)</u>	<u>(3,492,850)</u>	<u>(3,492,850)</u>	<u>(2,224,845)</u>	<u>1,268,005</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(375,654)</u>	<u>(375,654)</u>	<u>(375,654)</u>	<u>-</u>
Total	<u>(375,654)</u>	<u>(375,654)</u>	<u>(375,654)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	(1) <u>\$ (3,868,504)</u>	<u>\$ (3,868,504)</u>	<u>(2,600,499)</u>	<u>\$ 1,268,005</u>
Fund Balance – Beginning of Year			<u>5,863,505</u>	
Fund Balance – End of Year			<u>\$ 3,263,006</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Peninsula Township
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2008

Schedule 4

	<u>Special Revenue</u>					
	<u>Police Fund</u>	<u>Park Improvement Fund</u>	<u>Cemetery Fund</u>	<u>BATA/ Sr. Center Fund</u>	<u>Log Home Maintenance Fund</u>	<u>Dougherty House</u>
<u>Assets</u>						
Cash and Cash Equivalents	\$ 57,182	\$ 3,338	\$ 1,032	\$ 18,233	\$ 4,539	\$ 9,107
Accounts Receivable	-	-	-	-	-	-
Taxes Receivable – Current	2,407	-	-	104	-	-
Due from Other Funds	2,350	-	-	1,173	-	-
Prepaid Expenses	-	-	273	-	-	-
Total	<u>\$ 61,939</u>	<u>\$ 3,338</u>	<u>\$ 1,305</u>	<u>\$ 19,510</u>	<u>\$ 4,539</u>	<u>\$ 9,107</u>
<u>Liabilities and Fund Equity</u>						
Liabilities:						
Due to Other Funds	<u>7,766</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>
Total	<u>7,766</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>
Fund Equity:						
Fund Balance – Unreserved	<u>54,173</u>	<u>3,338</u>	<u>1,305</u>	<u>19,160</u>	<u>4,539</u>	<u>9,107</u>
Total	<u>54,173</u>	<u>3,338</u>	<u>1,305</u>	<u>19,160</u>	<u>4,539</u>	<u>9,107</u>
Total Liabilities and Fund Equity	<u>\$ 61,939</u>	<u>\$ 3,338</u>	<u>\$ 1,305</u>	<u>\$ 19,510</u>	<u>\$ 4,539</u>	<u>\$ 9,107</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

<u>Summer Tax Collection Fund</u>	<u>Roads Fund</u>	<u>Building Fund</u>	<u>Cable Council Fund</u>	<u>Debt Service PDR Debt Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Total</u>
\$ 59,196	\$ 14,903	\$ 2,338	\$ 81,907	\$ 3,990	\$ 34	\$ 255,799
-	-	-	17,442	-	-	17,442
-	-	-	-	-	-	2,511
-	11,245	-	-	-	27,321	42,089
-	-	-	-	-	-	273
<u>\$ 59,196</u>	<u>\$ 26,148</u>	<u>\$ 2,338</u>	<u>\$ 99,349</u>	<u>\$ 3,990</u>	<u>\$ 27,355</u>	<u>\$ 318,114</u>
<u>25,475</u>	<u>1,900</u>	<u>-</u>	<u>43,094</u>	<u>-</u>	<u>35,368</u>	<u>113,953</u>
<u>25,475</u>	<u>1,900</u>	<u>-</u>	<u>43,094</u>	<u>-</u>	<u>35,368</u>	<u>113,953</u>
<u>33,721</u>	<u>24,248</u>	<u>2,338</u>	<u>56,255</u>	<u>3,990</u>	<u>(8,013)</u>	<u>204,161</u>
<u>33,721</u>	<u>24,248</u>	<u>2,338</u>	<u>56,255</u>	<u>3,990</u>	<u>(8,013)</u>	<u>204,161</u>
<u>\$ 59,196</u>	<u>\$ 26,148</u>	<u>\$ 2,338</u>	<u>\$ 99,349</u>	<u>\$ 3,990</u>	<u>\$ 27,355</u>	<u>\$ 318,114</u>

Peninsula Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
March 31, 2008

Schedule 5

	<u>Special Revenue</u>					
	<u>Police Fund</u>	<u>Park Improvement Fund</u>	<u>Cemetery Fund</u>	<u>BATA/ Sr. Center Fund</u>	<u>Log Home Maintenance Fund</u>	<u>Dougherty House</u>
<u>Revenues</u>						
Property Taxes	\$ 70,188	\$ -	\$ -	\$ 104	\$ -	\$ -
Charges for Services	-	-	1,800	-	-	-
State Grants	-	-	-	-	-	-
Interest and Rents	1,681	137	549	963	215	834
Other	-	1,250	-	-	1,537	48
Total	<u>71,869</u>	<u>1,387</u>	<u>2,349</u>	<u>1,067</u>	<u>1,752</u>	<u>882</u>
<u>Expenditures</u>						
General Government	-	-	21,301	-	-	-
Public Safety	67,372	-	-	-	-	-
Public Works	-	-	-	-	-	-
Recreation and Culture	-	-	-	11,160	165	14,333
Debt Service	-	-	-	-	-	-
Total	<u>67,372</u>	<u>-</u>	<u>21,301</u>	<u>11,160</u>	<u>165</u>	<u>14,333</u>
<u>Excess Revenues (Expenditures)</u>	<u>4,497</u>	<u>1,387</u>	<u>(18,952)</u>	<u>(10,093)</u>	<u>1,587</u>	<u>(13,451)</u>
<u>Other Financing Sources (Uses)</u>						
Operating Transfers In	-	-	3,000	-	-	1,500
Operating Transfers (Out)	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>4,497</u>	<u>1,387</u>	<u>(15,952)</u>	<u>(10,093)</u>	<u>1,587</u>	<u>(11,951)</u>
<u>Fund Balance – Beginning of Year</u>	<u>49,676</u>	<u>1,951</u>	<u>17,257</u>	<u>29,253</u>	<u>2,952</u>	<u>21,058</u>
<u>Fund Balance – End of Year</u>	<u>\$ 54,173</u>	<u>\$ 3,338</u>	<u>\$ 1,305</u>	<u>\$ 19,160</u>	<u>\$ 4,539</u>	<u>\$ 9,107</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

<u>Summer Tax Collection Fund</u>	<u>Roads Fund</u>	<u>Building Fund</u>	<u>Cable Council Fund</u>	<u>Debt Service PDR Debt Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,292
15,680	-	-	-	-	-	17,480
-	11,209	-	-	-	-	11,209
2,994	259	108	7,787	4,010	2	19,539
-	-	-	75,493	-	-	78,328
<u>18,674</u>	<u>11,468</u>	<u>108</u>	<u>83,280</u>	<u>4,010</u>	<u>2</u>	<u>196,848</u>
16,413	-	-	168	-	-	37,882
-	-	-	-	-	-	67,372
-	3,171	-	-	-	-	3,171
-	-	-	-	-	-	25,658
-	-	-	-	385,727	-	385,727
<u>16,413</u>	<u>3,171</u>	<u>-</u>	<u>168</u>	<u>385,727</u>	<u>-</u>	<u>519,810</u>
<u>2,261</u>	<u>8,297</u>	<u>108</u>	<u>83,112</u>	<u>(381,717)</u>	<u>2</u>	<u>(322,962)</u>
-	-	-	-	375,654	-	380,154
-	-	-	(80,000)	-	-	(80,000)
-	-	-	(80,000)	375,654	-	300,154
2,261	8,297	108	3,112	(6,063)	2	(22,808)
<u>31,460</u>	<u>15,951</u>	<u>2,230</u>	<u>53,143</u>	<u>10,053</u>	<u>(8,015)</u>	<u>226,969</u>
<u>\$ 33,721</u>	<u>\$ 24,248</u>	<u>\$ 2,338</u>	<u>\$ 56,255</u>	<u>\$ 3,990</u>	<u>\$ (8,013)</u>	<u>\$ 204,161</u>

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Police Fund
For the Year Ended March 31, 2008

Schedule 6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	67,000	67,000	67,781	781
Delinquent Taxes	-	-	2,407	2,407
Interest and Rents:				
Interest	<u>750</u>	<u>750</u>	<u>1,681</u>	<u>931</u>
Total	<u>67,750</u>	<u>67,750</u>	<u>71,869</u>	<u>4,119</u>
<u>Expenditures</u>				
Public Safety	<u>66,000</u>	<u>67,400</u>	<u>67,372</u>	<u>28</u>
Total	<u>66,000</u>	<u>67,400</u>	<u>67,372</u>	<u>28</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 1,750</u>	<u>\$ 350</u>	4,497	<u>\$ 4,147</u>
Fund Balance – Beginning of Year			<u>49,676</u>	
Fund Balance – End of Year			<u>\$ 54,173</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Park Improvement Fund
For the Year Ended March 31, 2008

Schedule 7

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	75	75	137	62
Other:				
Donations	2,500	2,500	575	(1,925)
Miscellaneous	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Total	<u>2,575</u>	<u>2,575</u>	<u>1,387</u>	<u>(1,188)</u>
<u>Expenditures</u>				
Parks and Recreation	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 1,875</u>	<u>\$ 1,875</u>	1,387	<u>\$ (488)</u>
Fund Balance – Beginning of Year			<u>1,951</u>	
Fund Balance – End of Year			<u>\$ 3,338</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Cemetery Fund For the Year Ended March 31, 2008

Schedule 8

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services:				
Lot Sales	\$ 2,400	\$ 2,400	\$ 1,800	\$ (600)
Interest and Rents:				
Interest	<u>500</u>	<u>500</u>	<u>549</u>	<u>49</u>
Total	<u>2,900</u>	<u>2,900</u>	<u>2,349</u>	<u>(551)</u>
<u>Expenditures</u>				
General Government	<u>15,850</u>	<u>22,250</u>	<u>21,301</u>	<u>949</u>
Total	<u>15,850</u>	<u>22,250</u>	<u>21,301</u>	<u>949</u>
<u>Excess Revenues (Expenditures)</u>	<u>(12,950)</u>	<u>(19,350)</u>	<u>(18,952)</u>	<u>398</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	3,000	3,000	3,000	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (9,950)</u>	<u>\$ (16,350)</u>	<u>(15,952)</u>	<u>\$ 398</u>
Fund Balance – Beginning of Year			<u>17,257</u>	
Fund Balance – End of Year			<u>\$ 1,305</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
BATA/Senior Center Fund
For the Year Ended March 31, 2008

Schedule 9

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Delinquent Taxes	\$ -	\$ -	\$ 104	104
Interest and Rents:				
Interest	<u>1,000</u>	<u>1,000</u>	<u>963</u>	<u>(37)</u>
Total	<u>1,000</u>	<u>1,000</u>	<u>1,067</u>	<u>67</u>
<u>Expenditures</u>				
Cultural and Recreation	<u>12,050</u>	<u>12,050</u>	<u>11,160</u>	<u>890</u>
Total	<u>12,050</u>	<u>12,050</u>	<u>11,160</u>	<u>890</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (11,050)</u>	<u>\$ (11,050)</u>	(10,093)	<u>\$ 957</u>
Fund Balance – Beginning of Year			<u>29,253</u>	
Fund Balance – End of Year			<u>\$ 19,160</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Log Home Maintenance Fund
For the Year Ended March 31, 2008

Schedule 10

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 125	\$ 125	\$ 215	\$ 90
Other:				
Donations	<u>1,500</u>	<u>1,500</u>	<u>1,537</u>	<u>37</u>
Total	<u>1,625</u>	<u>1,625</u>	<u>1,752</u>	<u>127</u>
<u>Expenditures</u>				
Cultural and Recreation	<u>1,300</u>	<u>1,300</u>	<u>165</u>	<u>1,135</u>
Total	<u>1,300</u>	<u>1,300</u>	<u>165</u>	<u>1,135</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 325</u>	<u>\$ 325</u>	1,587	<u>\$ 1,262</u>
Fund Balance -- Beginning of Year			<u>2,952</u>	
Fund Balance -- End of Year			<u>\$ 4,539</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Dougherty House Fund
For the Year Ended March 31, 2008

Schedule 11

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 1,000	\$ 1,000	\$ 834	\$ (166)
Other:				
Donations	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Total	<u>1,000</u>	<u>1,000</u>	<u>882</u>	<u>(118)</u>
<u>Expenditures</u>				
Cultural and Recreation	<u>1,420</u>	<u>1,420</u>	<u>14,333</u>	<u>(12,913)</u>
Total	<u>1,420</u>	<u>1,420</u>	<u>14,333</u>	<u>(12,913)</u>
<u>Excess Revenues (Expenditures)</u>	<u>(420)</u>	<u>(420)</u>	<u>(13,451)</u>	<u>(13,031)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	1,500	1,500	1,500	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>	<u>(11,951)</u>	<u>\$ (13,031)</u>
Fund Balance – Beginning of Year			<u>21,058</u>	
Fund Balance – End of Year			<u>\$ 9,107</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Summer Tax Collection Fund
For the Year Ended March 31, 2008

Schedule 12

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services:				
Tax Collection	\$ 15,700	\$ 15,700	\$ 15,680	\$ (20)
Interest and Rents:				
Interest	<u>2,000</u>	<u>2,000</u>	<u>2,994</u>	<u>994</u>
Total	<u>17,700</u>	<u>17,700</u>	<u>18,674</u>	<u>974</u>
<u>Expenditures</u>				
General Government	<u>16,986</u>	<u>16,986</u>	<u>16,413</u>	<u>573</u>
Total	<u>16,986</u>	<u>16,986</u>	<u>16,413</u>	<u>573</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 714</u>	<u>\$ 714</u>	2,261	<u>\$ 1,547</u>
Fund Balance – Beginning of Year			<u>31,460</u>	
Fund Balance – End of Year			<u>\$ 33,721</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Roads Fund
For the Year Ended March 31, 2008

Schedule 13

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants:				
Metro Act	\$ -	\$ -	\$ 11,209	\$ 11,209
Interest and Rents:				
Interest	<u>750</u>	<u>750</u>	<u>259</u>	<u>(491)</u>
Total	<u>750</u>	<u>750</u>	<u>11,468</u>	<u>10,718</u>
<u>Expenditures</u>				
Public Works	<u>-</u>	<u>3,200</u>	<u>3,171</u>	<u>29</u>
Total	<u>-</u>	<u>3,200</u>	<u>3,171</u>	<u>29</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ 750</u>	<u>\$ (2,450)</u>	8,297	<u>\$ 10,747</u>
Fund Balance – Beginning of Year			<u>15,951</u>	
Fund Balance – End of Year			<u>\$ 24,248</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Building Fund For the Year Ended March 31, 2008

Schedule 14

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ -	\$ -	\$ 108	\$ 108
Total	-	-	108	108
<u>Expenditures</u>	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	<u>\$ -</u>	<u>\$ -</u>	108	<u>\$ 108</u>
<u>Fund Balance – Beginning of Year</u>			2,230	
<u>Fund Balance – End of Year</u>			<u>\$ 2,338</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Cable Council Fund
For the Year Ended March 31, 2008

Schedule 15

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Interest and Rents:				
Interest	\$ 3,000	\$ 3,000	\$ 1,287	\$ (1,713)
Rent	-	-	6,500	6,500
Other:				
Fees	<u>72,000</u>	<u>72,000</u>	<u>75,493</u>	<u>3,493</u>
Total	<u>75,000</u>	<u>75,000</u>	<u>83,280</u>	<u>8,280</u>
<u>Expenditures</u>				
General Government	<u>321</u>	<u>321</u>	<u>168</u>	<u>153</u>
Total	<u>321</u>	<u>321</u>	<u>168</u>	<u>153</u>
<u>Excess Revenues (Expenditures)</u>	<u>74,679</u>	<u>74,679</u>	<u>83,112</u>	<u>8,433</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Total	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	(1) <u>\$ (5,321)</u>	<u>\$ (5,321)</u>	3,112	<u>\$ 8,433</u>
Fund Balance -- Beginning of Year			<u>53,143</u>	
Fund Balance -- End of Year			<u>\$ 56,255</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Peninsula Township
2007 Property Tax Levy and Collections
For the Year Ended March 31, 2008

Schedule 16

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
County	(1) 6.1291	\$ 3,202,972	\$ 3,112,326	\$ 90,646
State Education	6.0000	3,128,779	3,050,452	78,327
School District	21.1000	4,277,265	4,095,887	181,378
Intermediate School District	2.9334	1,533,032	1,491,353	41,679
Community College	2.8700	1,499,752	1,454,408	45,344
District Library	1.1378	594,624	574,802	19,822
BATA	0.3283	171,567	165,827	5,740
Township:				
Operating and Purchase of Development Rights	2.4910	1,302,006	1,258,331	43,675
Police	0.1988	70,585	68,178	2,407
Fire Protection	(2) 0.9000	464,455	449,789	14,666
Special Assessments		25,709	19,628	6,081
Sewer and Water Usage		<u>3.072</u>	<u>1.884</u>	<u>1.188</u>
Total		<u>\$ 16,273,818</u>	<u>\$ 15,742,865</u>	<u>\$ 530,953</u>

Percent of Levy Collected 96.74%

(1) Includes Commission on Aging (.4858 mill) and Medical Care Facility (.6595 mill) voted levy.

(2) Levied on real property only.

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

To the Township Board
Peninsula Township

We have audited the financial statements of Peninsula Township for the year ended March 31, 2008 and have issued our report thereon dated July 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 17, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Peninsula Township. Such consideration was solely for the purpose of determining our audit procedures and to provide any assurance concerning such internal control. However, in addition to our comments and recommendations and notes to the financial statements, certain items regarding the control procedures of the Township came to our attention and we wish to address these at this time.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

Account Classifications of Transactions

Some proposed audit adjustments were the result of transactions, primarily revenues, not being posted to the correct accounts according to the Michigan Department of Treasury Uniform Chart of Accounts. While there was great improvement in this area, continued effort should be made to analyze transactions and post them to the correct accounts.

Special Assessment Revenues

The Township has several sewer and water funds special assessments. Receipts for these assessments need to be broken out by the fund they relate to and need to be split between principle, interest and penalties. Again, there was great improvement in this area but this was not always done.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Peninsula Township are described in Note A to the financial statements. No new accounting

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policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transaction for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Peninsula Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tobin & Co., P.C." with a stylized flourish at the end.

Tobin & Co., P.C.

July 15, 2008